



# Contribution Rates and Pension Funding

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# Actuarially Required Rates

- Based on the results of an actuarial valuation.
- An actuarial valuation compares the present value of plan liabilities to the current value of assets.
- The excess, if any, is collected as a percentage of future payroll per the plan's funding policy.



# Funding Policy

- Factors which influence a plan's funding policy include:
  - selection of actuarial assumptions and methods;
  - investment return and policy;
  - frequency of contribution rate changes;
  - benefit improvements; and
  - other factors (cost sharing, intergenerational equity, benefit security, budgets).



## Current Contribution Rates\*

	<b>Plan 2 Member</b>	<b>Employer**</b>
<b>PERS</b>	2.25%	2.44%
<b>TRS</b>	2.48%	2.92%
<b>SERS</b>	2.75%	2.94%

\* *Based on the Chapter 370, Laws of 2005.*

\*\* *Includes an administrative expense rate of 0.19 percent.*

## Current Contribution Rates\*

	<b>Plan 2 Member</b>	<b>Employer**</b>
<b>LEOFF 1</b>	N/A	0.19%
<b>LEOFF 2</b>	6.99%	4.39%
<b>WSP***</b>	4.51%	4.70%

\* Based on the results of the 2003 actuarial valuation. LEOFF 2 rates include the impact of 2005 legislation.

\*\* Includes an administrative expense rate of 0.19 percent. LEOFF 2 employer rate is the rate paid by the local employer – the state rate is 2.79 percent.

\*\*\* Plan 2 member rate applies to all WSP members.



## Required Contribution Rates\*

	<b>Plan 2 Member</b>	<b>Employer**</b>
<b>PERS</b>	3.38%	5.92%
<b>TRS</b>	2.48%	6.93%
<b>SERS</b>	3.51%	7.75%

\* *Based on the results of the 2003 actuarial valuation.*

\*\* *Includes an administrative expense rate of 0.19 percent.*

## Required Contribution Rates\*

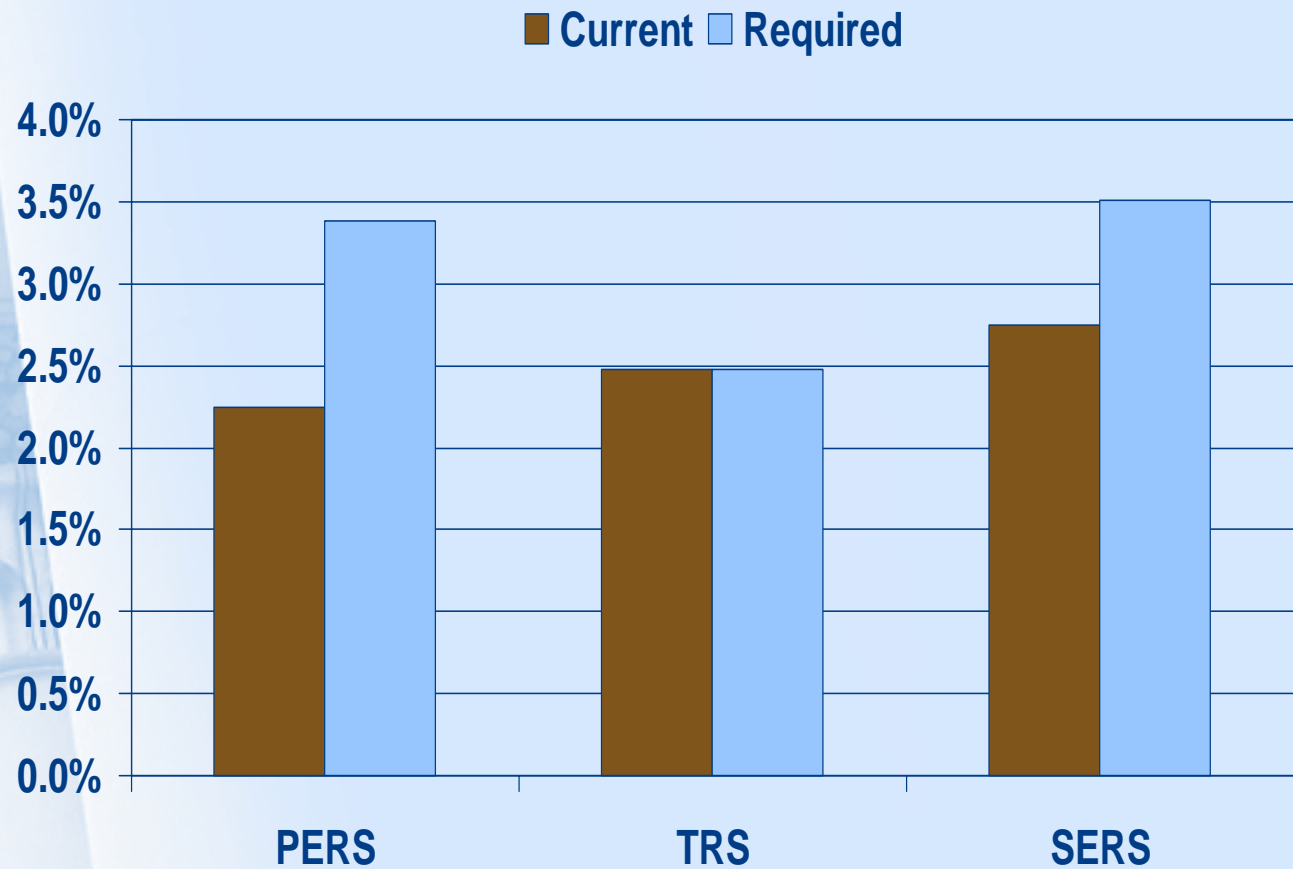
	<b>Plan 2 Member</b>	<b>Employer**</b>
<b>LEOFF 1</b>	N/A	0.19%
<b>LEOFF 2</b>	7.20%	4.51%
<b>WSP***</b>	4.51%	4.70%

\* Based on the results of the 2003 actuarial valuation. LEOFF 2 rates exclude the impact of 2005 legislation.

\*\* Includes an administrative expense rate of 0.19 percent. LEOFF 2 employer rate is the rate paid by the local employer – the state rate is 2.88 percent.

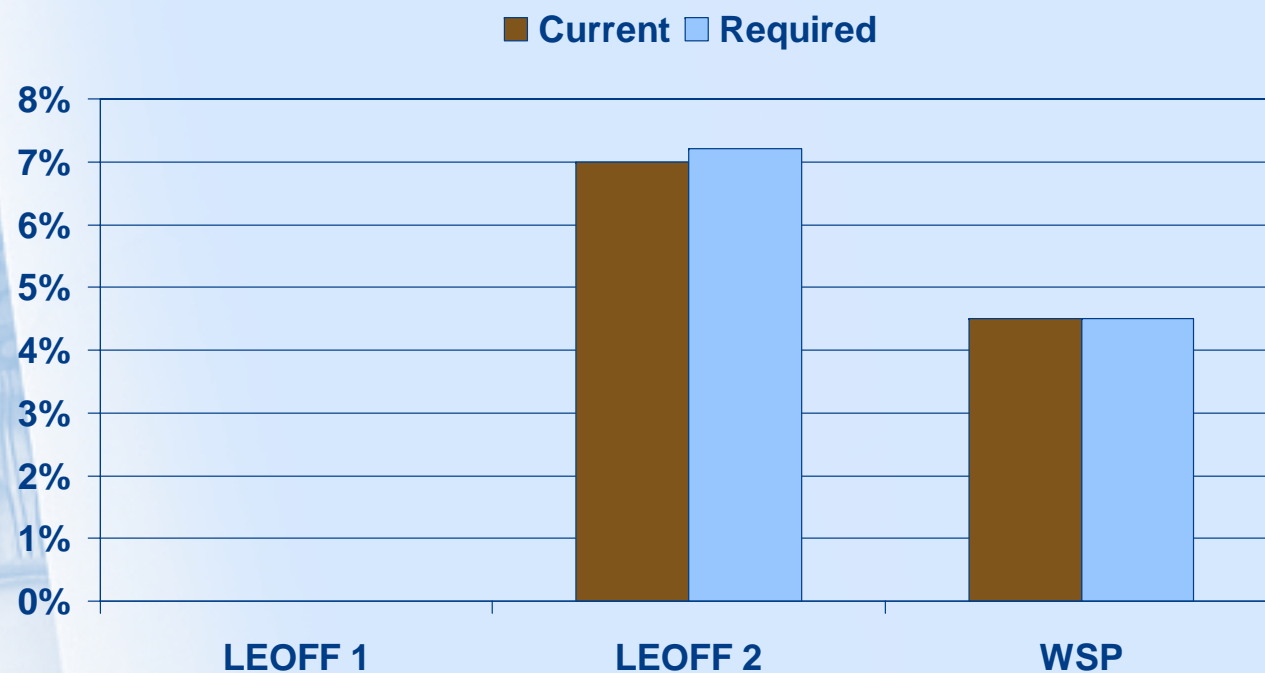
\*\*\* Plan 2 member rate applies to all WSP members.

# Current vs. Required Plan 2 Member Rates

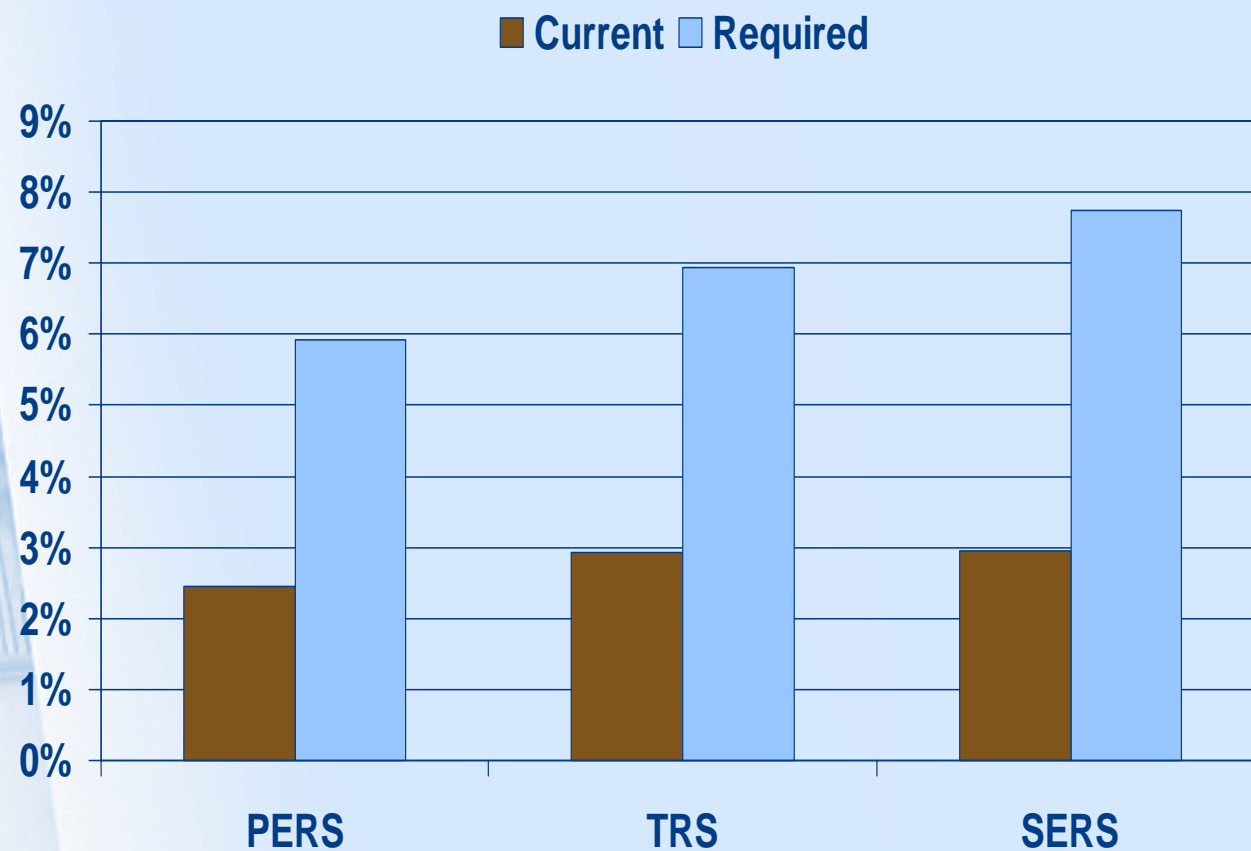




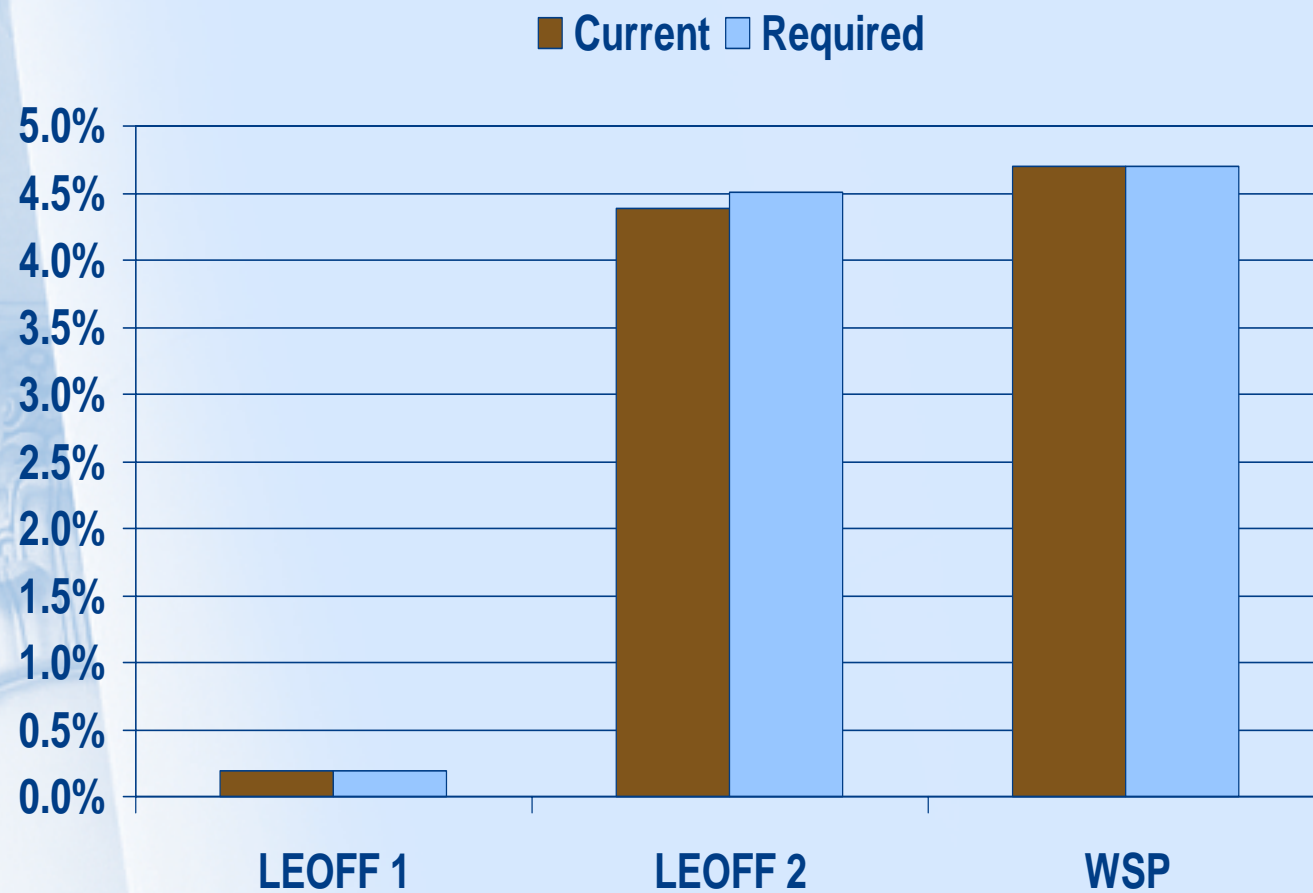
# Current vs. Required Plan 2 Member Rates



# Current vs. Required Employer Rates



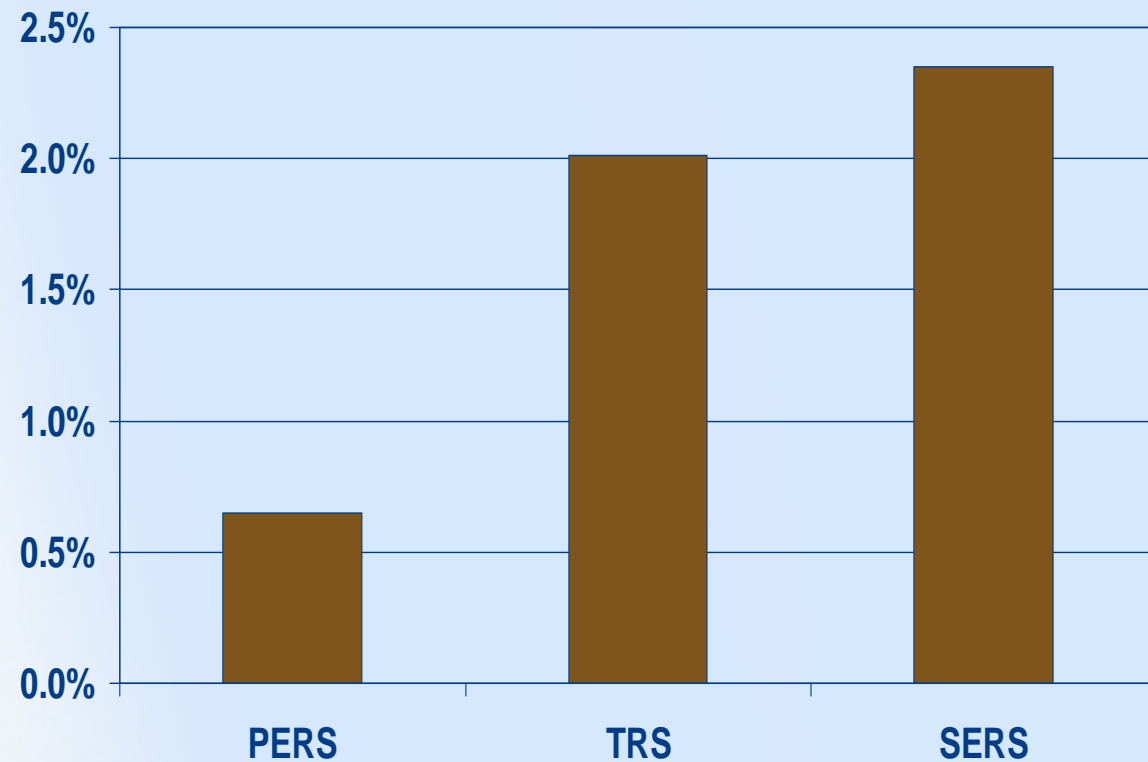
# Current vs. Required Employer Rates



## Why are current rates less than required rates?

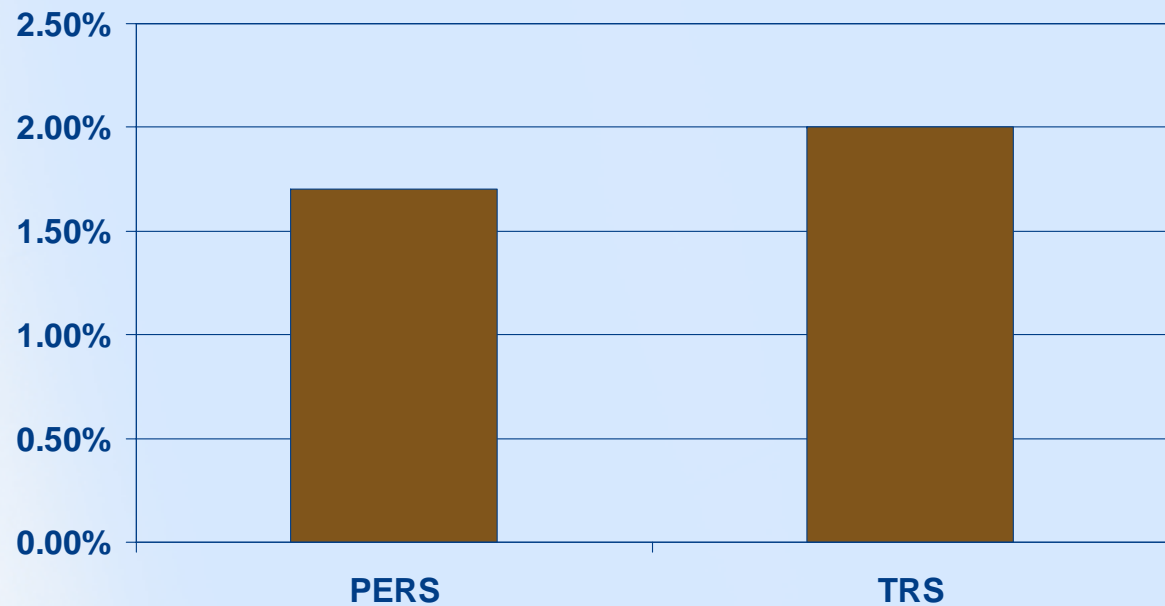
- Answer: short-term change in funding policy by the legislature (chapter 370, laws of 2005) that
  - Delayed recognition of the costs associated with future gain-sharing benefits;
  - Continued suspension of payments toward the PERS 1 and TRS 1 unfunded liability; and
  - Implemented a four-year phase-in of contribution rate increases (excluding plan 1 unfunded liability).

## Employer Rates for Future Gain-Sharing Benefits\*



*\* Includes Plan 1 and Plan 3 gain-sharing costs.*

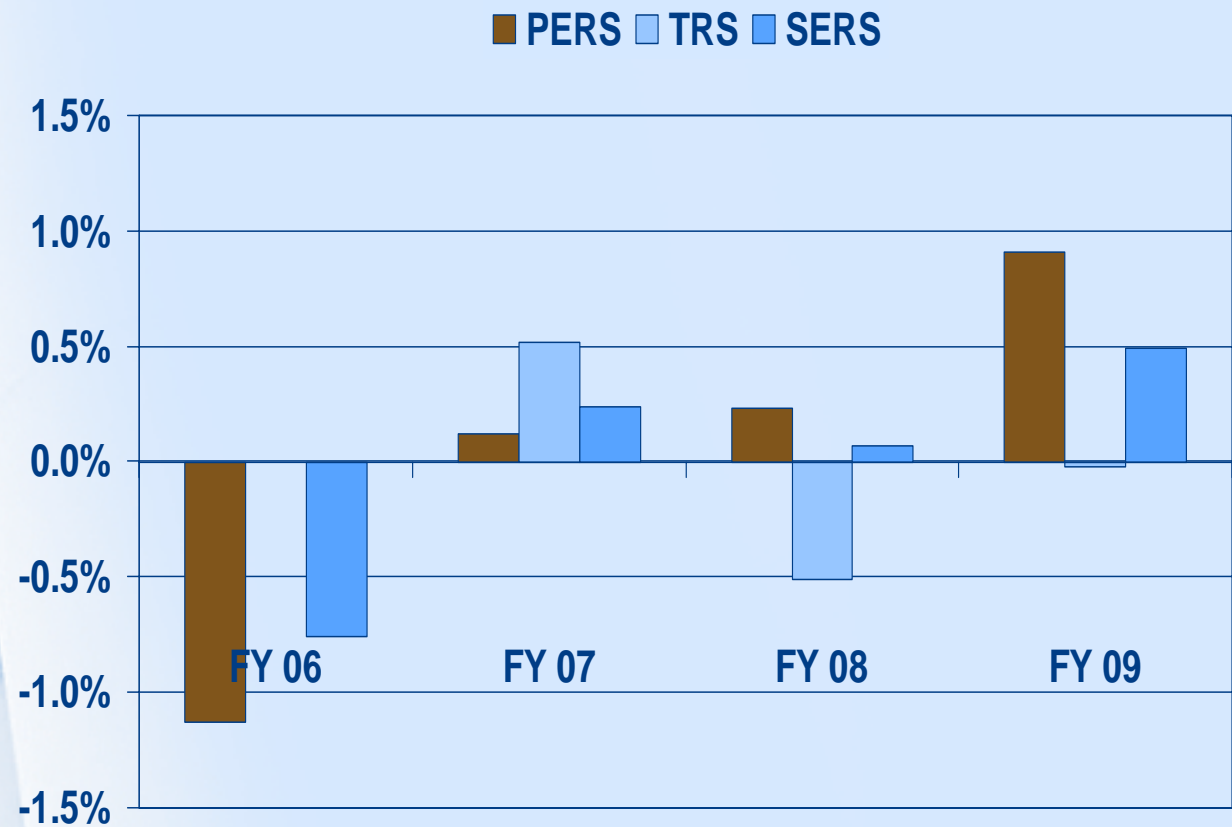
# Employer Rates for Plan 1 Unfunded Liability\*



*\* Excludes the costs of future Plan 1 gain-sharing benefits.*



# Change in Rates for 4-year Phase In\*



\* Change for employers and Plan 2 members.



## Next Steps in Funding Process

- SCPP to study gain-sharing and report back to fiscal committees by 12/05.
- Payments to the PERS 1 and TRS 1 unfunded liability will resume in 07-09
  - SCPP may recommend that payments resume as early as next fiscal year.
- The results of the 2005 actuarial valuation will determine the required rates for the 07-09 biennial budget.



Questions?